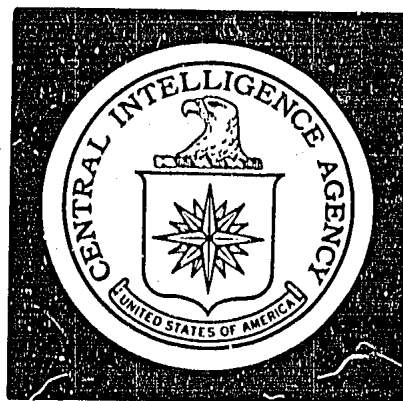


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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Assessment Of Chile's Agrarian Reform Program

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June 1970

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
June 1970

INTELLIGENCE MEMORANDUM

Assessment Of Chile's Agrarian Reform Program

Introduction

The agrarian reform program launched by the outgoing Christian Democratic administration of President Eduardo Frei has caused revolutionary changes in Chile's rural society, as intended. It has fallen far short of its goals, however, and is under attack from both the left and the right. It has stimulated sporadic rural violence that may increase in this election year. Nevertheless, agrarian reform has already proceeded too far to be turned back by whatever administration succeeds Frei. This memorandum reviews the economic, political, and social conditions in which Frei launched the program and assesses its progress and effects.

Bases for Radical Democratic Change

The Political Setting

1. Conditions leading to radical agrarian reform through legislation began to develop in Chile long before the 1961 Declaration of Punta del Este legitimized land redistribution as a national goal. The rural oligarchy had been gradually losing

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political influence since the 1920s, and a mild land reform bill was passed as early as 1928. Although the next three decades brought little change in land tenure, the balance of political power shifted to the rapidly growing middle-class urban groups. By lending legislative support to industrial and urban programs, the rural oligarchy temporarily preserved the traditional pattern of land ownership. Its bargaining power was not sufficient, however, to overcome urban opposition to credit, price, and investment policies favoring agricultural producers. In effect, the status quo in the countryside was maintained only through farmers' support of policies that strengthened urban groups, many of them avowedly opposed to the rural oligarchy.

2. Within the two rightist parties -- the Conservatives and the Liberals -- the rural elite lost influence to the growing industrial and commercial upper classes. Moreover, the rightist parties' desire to broaden their appeal induced a more flexible and moderate stance on several issues, including agrarian reform. The parties' voting strength nevertheless continued to deteriorate, and by the mid-1950s their hold on the countryside had loosened considerably. In the 1958 presidential election, many peasants voted for the Popular Action Front (FRAP), a leftist coalition dominated by the Communists and Socialists, and almost brought victory for its candidate, Salvador Allende. Although the independent conservative, Jorge Alessandri, gained the presidency by Congressional support for his narrow plurality, the 1961 election in which the conservative coalition lost its crucial one-third control in the legislature* probably portrayed political moods more accurately.

3. US pressures and offers of aid for accelerated agrarian reform under the newly established Alliance for Progress thus brought a stronger response in Chile than elsewhere in Latin America. Political pressures on the rural oligarchy were intensifying further as the centrist parties (the

* Under the Chilean bicameral system, amendments to a bill can be blocked in many instances by one-third of the vote; also, the President's additions to a bill through his so-called veto power will carry if they receive one-third support in both houses.

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Christian Democratic Party (PDC) and the Radicals) joined the FRAP in calling for agrarian reform. Forced into a mood of compromise, agricultural interests supported both the Agrarian Reform Law passed in 1962 and the 1963 constitutional amendment required to enforce it.

4. Although attacked by the left and by foreign observers as too mild, this reform legislation marked a radical departure from once-sacrosanct property rights. The "inviolability" of property ownership was altered by taking "social function" into account. As a result, abandoned or poorly exploited land became subject to expropriation and redistribution. The constitutional amendment also authorized deferred payments for expropriated property -- a change that landowners earlier had opposed as bitterly as the state's right to expropriate.

5. Implementing the Alessandri reform laws was slowed by financial and legal constraints as well as by landowners' continued influence in the administration. Much time was lost while the newly organized Agrarian Reform Corporation (CORA) completed legally required investigations and coordinated plans with various government agencies. Because compensation for most expropriated properties was based on commercial value and had to be completed in ten years (with a 20% downpayment, 4% interest on the balance, and annual payments adjusted for inflation), land acquisition was costly. Finally, the landowners' right to contest CORA's expropriation decisions in the courts resulted in prolonged delays. By September 1964, only some 1,200 families had been settled, mainly on property previously owned by the government or voluntarily sold by private owners.

6. Agrarian reform was a contentious issue in the 1964 presidential campaign waged by the PDC candidate Eduardo Frei and FRAP's candidate Salvador Allende. Although Julio Duran of the Radical Party also was on the ballot, there was no center-right candidate for all practical purposes because Duran's coalition folded long before the election. Promises of radical reform escalated as the two major candidates attempted to take advantage of the apparent leftist swing in Chilean politics. Aided by rightists who had no real alternative and leftists who feared Communism, Frei won a mandate for his "Revolution in Liberty", capturing 56% of the vote. This

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mandate was strengthened when his PDC swept the 1965 congressional election, gaining an absolute majority in the lower house and a strong plurality in the Senate. The Marxist parties also picked up strength, running second to the PDC. The Radicals, on the other hand, lost half their lower house strength and all but ten Senate seats, while the traditional rightist parties suffered an electoral collapse -- retaining only nine out of the 147 lower house seats and the seven Senate seats not up for election.

Rural Conditions Before Frei

7. Before 1965, Chile's agriculture was undergoing moderate evolutionary change. The concentration of land ownership was gradually breaking down, but a rapidly increasing number of families were struggling to exist on very small holdings. These small landowners, or *minifundistas*, plus sharecroppers, landless workers, and resident workers comprised about 65% of the rural population of some three million in 1965. A long period of low agricultural prices and meager public investment in rural improvements had held down agricultural growth. Between 1940 and 1965, agricultural income per capita increased only about 30% -- approximately one-half the national rate. Rural poverty was reflected in an infant mortality rate about twice the national average and a literacy rate of 65%-70% compared with 90% nationally. Because of illiteracy, isolation, and transportation difficulties, only an estimated 40% of the adult rural population voted in 1964 compared with 70% nationally.

8. Between 1955 and 1965, the agricultural area increased only about 0.4% annually, compared with a 2.7% average for Latin America. Chile's land use pattern, however, changed appreciably. While about 70% of the regional increase in agricultural production resulted from expanded farm area, about 80% of Chile's agricultural growth came from more intensive land use. The land in orchards and vineyards increased by 12%, cropland by 20%, and land in improved pasture (mainly on large farms) by more than 100% (see Table 1). In only ten years, division of holdings through sale and inheritance raised the number of properties smaller than 25 acres from 76,000 to 157,000 and the farm total from 151,000 to 253,000 (see Table 2).

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9. Because of substantial migration to urban areas -- an estimated 30,000-35,000 persons annually -- Chile's agricultural population fell from about 30% of the national total in 1955 to 25% in 1965. The agricultural labor force grew only about 1% annually, or two-fifths of the national rate, and in 1965 totaled about 740,000. Worker productivity increased an average of 1% annually, but most of this rise occurred on large farms economizing on labor because of gradually increasing wages and unfavorable prices. Output per man on extremely small farms stagnated or declined, further widening the income gap between *minifundistas* and full-time workers on large farms. Most small farmers apparently stayed on the land despite their worsening lot, while the workers discharged by the larger farms migrated to the cities. As a result, small farmers numbered 240,000 or one-third of the rural labor force in 1965, compared with only one-fourth in 1955, and the proportion of landless and resident farm workers declined to a similar extent (see Table 3).

10. During 1955-64, agricultural output increased by an average of 2.2% annually. Although output kept up with population growth, it lagged considerably behind demand. Net agricultural imports thus swelled from a \$60 million average during 1952-54 to a \$115 million average during 1962-64.

Frei's Agrarian Reform Program

Goals and First Steps

11. The PDC's agrarian reform has been gradual but far from conservative in its basic premises and ultimate goals. With the avowed aim of creating a "revolution in the countryside," Frei attempted to (a) improve the rural poor's lot, (b) fully integrate the *campesinos* (peasants) into national life, and (c) increase agricultural output. The program's keystone is a massive redistribution of agricultural land and income and a corresponding transformation of the agrarian power structure. Unlike the Mexican and Bolivian experiences, Chile's "revolution" thus far has been nearly bloodless. In its objectives, the Chilean experiment nevertheless is one of the most radical yet attempted by peaceful means in a non-Communist society.

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12. In his election campaign, President Frei called for 100,000 new, viable, family-sized farms by the end of his term in 1970 -- an ambitious goal involving about 750,000 people, or one-fourth of the rural population. He also advocated raising wages of rural workers by unionizing them and raising small farmers' incomes by promoting cooperatives and improving credit and marketing facilities. In addition, he pledged to narrow the gap between rural and urban poor by sharply expanding social services in the countryside.

13. Realizing that a frontal attack on landowners' rights could adversely affect agricultural output, Frei promised immunity from expropriation for efficient producers and higher prices and other incentives for agriculture as a whole. Although large landowners contended that low farm output resulted mainly from years of discriminatory government policies, they generally approved redistributing poorly used land. They emphasized, however, that safeguards were needed for efficient producers. Although Frei and his spokesmen repeatedly reassured them on this point, it was apparent that views differed widely within the PDC and Congress.

14. The government initiated portions of the reform program soon after assuming power in November 1964. Because Chile has had a price control system for decades, the government was able to improve agricultural terms of trade, at least temporarily, by raising price ceilings on agricultural products more than those on non-agricultural items and by limiting competition from under-priced imports. Similarly, increases in minimum agricultural wages and family allowances and in social security, health, education, and other public services involved little or no controversial legislation. The administration also got an early start in organizing the rural poor into labor unions, cooperatives, and community associations.

15. The Frei government had to wait until July 1967, however, for legislative approval of its land expropriation and redistribution program. The bill was not submitted to the Congress until late 1965. Attacked by both the right and the left and requiring another constitutional amendment, it was delayed for another 20 months. The agrarian reform law that finally emerged differed little in

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its basic clauses from the original draft. Rightist forces won only minor victories; leftist forces, while continuing to demand an even more radical bill, privately expressed considerable satisfaction.

Land Expropriation

16. During 1965-69 the Frei government expropriated 1,120 farms embracing more than one-fifth of Chile's irrigated land and almost 10% of the total land in farms. Land reform activity has been particularly intensive in the rich agricultural provinces surrounding Santiago (see the map). Before mid-1967 the government acquired considerable land under the 1962 law, primarily because some landowners were willing to sell rather than take their chances under the new law. During this early period, CORA also assumed control over large state-owned tracts. During the first 12 months under the new law, CORA's expropriation activities were hampered by organizational and financial difficulties. Since mid-1968, however, the pace of expropriation has speeded up considerably, as shown in the following tabulation:

		Thousand Acres	
	<u>Number of Farms Expropriated</u>	<u>Amount of Irrigated Land</u>	<u>Total Amount of Farm Land</u>
<i>Total, 1959-64</i>	<i>N.A.</i>	<i>45</i>	<i>2,064</i>
1965 <u>a/</u>	85	93	1,105
1966 <u>a/</u>	262	141	1,263
1967	221	128	592
1968	220	110	1,608
1969	332	141	2,524
<i>Total, 1965-69</i>	<i>1,120</i>	<i>613</i>	<i>7,092</i>

a. Including several large holdings taken over from state entities.

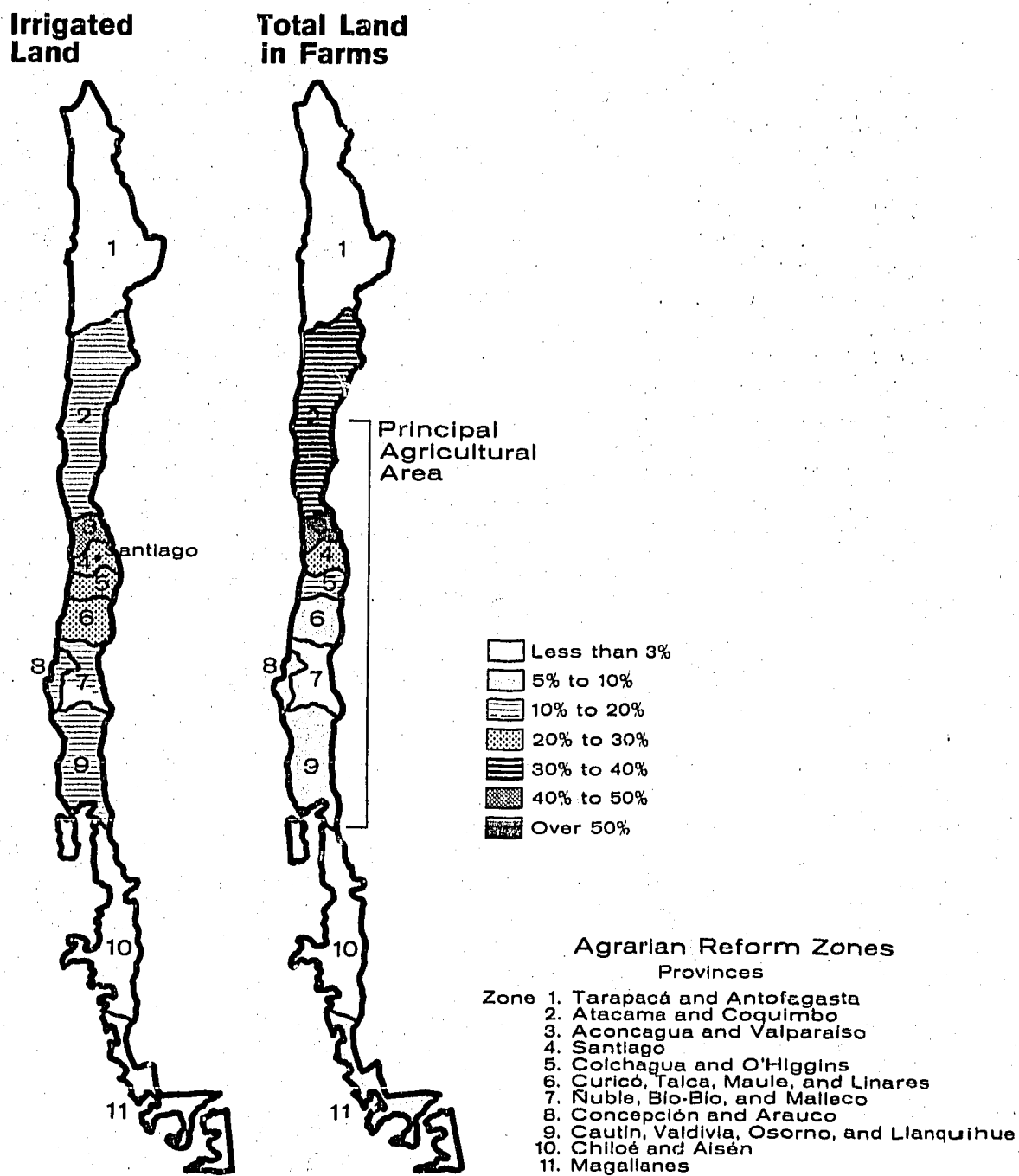
17. Greatly expanded since 1964 and directed by Rafael Moreno -- a young, left-wing Christian Democrat -- CORA is by far the most powerful operational agency involved in land reform. It has authority to decide which properties are to be expropriated, the basis for expropriation, the properties' value, the

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Chile: Proportion of Irrigated Land and Total Land in Farms Expropriated by Zone, 1965-69



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cash payment, and who can retain part of his property. A landowner can contest some of CORA's decisions in the Agrarian Reform Courts but cannot contest the decision to expropriate or hold up CORA's acquisition of the property. Under the 1967 law, CORA can take property immediately upon making the required cash payment, even if the owner contests its judgments. An amendment approved late in 1969 by the Congress further speeds up the "quick-take" process.

18. The agrarian reform law authorizes expropriating farms that are excessively large, poorly exploited, or abandoned. All holdings exceeding 198 "basic" acres (defined as 198 irrigated acres in the Maipo Valley, near Santiago, or an equally productive area elsewhere) are subject to expropriation even if efficiently exploited. A property is judged poorly exploited if it fails to meet certain requirements concerning land use, capital improvements, and other standards or if economic benefits to its workers are deemed inadequate. An abandoned property is defined as one that, while it may be occupied, is not worked. A hotly contested retroactive clause authorizes expropriation as one unit of any estate subdivided after November 1964. Farms owned by corporations; farms rented, leased, or otherwise non-owner operated; and land needed for irrigation projects are also subject to expropriation. Finally, the law permits expropriating *minifundia* and communes judged too small to support their occupants, but CORA thus far has made no attempt to implement this provision.

19. Compensation for expropriated land is based on its tax-assessed value -- generally about one-half the market price. The cash payment, made immediately, varies according to the grounds for expropriation: 1% of the assessed value for abandoned property, 5% for poorly exploited property, and 10% for efficiently exploited holdings of excessive size. The value of improvements made since November 1964 also is paid in cash. The remaining compensation consists of 25- or 30-year, nontransferable bonds that pay 3% interest and are to be adjusted in value to reflect about 70% of inflation. Economists employed by a landowners' association have estimated that compensation may be as little as 20%-30% of a property's market value. Representatives of the radical left, on the other hand, question the justification for any compensation.

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20. A landowner suffering expropriation ostensibly is allowed to retain 198 "basic" acres unless the property has been abandoned, totally leased, or poorly exploited in CORA's judgment. Before exercising this "right of reserve," the landowner must receive CORA's approval or, on appeal, a favorable judgment from an Agrarian Reform Court. Modifications in the agrarian reform law in late 1969 have deepened landowners' doubts that the full "right of reserve" will be recognized.

21. Expropriation of abandoned farms or those that clearly are poorly exploited has not generated much controversy. But Frei's continued assurances that efficient producers are not threatened, even if the holdings are large, have been undermined by CORA's actions. Moreover, CORA's willingness to appraise large farms' efficiency objectively has been seriously questioned, in part because it is less costly to expropriate on the basis of poor exploitation than of excessive size. After losing a court decision involving the expropriation of a particular farm on the ground of poor exploitation, CORA announced in February 1968 that excessive size would be the legal basis for all future expropriations. Although excessive size has been the formal ground for most subsequent takeovers, CORA has taken the position -- when paying for many holdings -- that they were poorly exploited as well as excessively large. This tactic has allowed CORA to limit both its cash outlays and landowners' rights of reserve.

Land Redistribution

22. In an effort to avoid the experience of Mexico, Cuba, and Bolivia -- where agrarian reform initially reduced farm production and, even more, market deliveries -- Chile's law provided for a transitional period of cooperative organization on redistributed land, under CORA's tutelage. The government hoped that the newly settled *campesinos* could learn to farm efficiently during this period. The *asentamientos* (communal settlements) are scheduled to last up to three years but can be extended to five years by presidential decree. During this time, the land is farmed as a unit, and each member is paid wages according to the number of days worked. Net profits, if any, are divided among the members. CORA chooses the *campesinos* for these settlements, giving preference to landless workers previously living on the holding, and provides both credit and technical assistance.

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23. At the end of the cooperative period, land titles are to be issued to individuals, to the cooperative, or a combination of the two. According to the agrarian reform law, most *asentamientos* were to be divided into privately owned, family-sized farms, cooperative titles being issued only if individual plots were technologically infeasible or if requested by the members. In practice, CORA has shown a strong predisposition toward communal ownership. It has stated that it will give priority in issuing titles to *asentamientos* opting for communal ownership and, in fact, has delayed giving titles to three- to four-year-old *asentamientos* requesting individual titles. As the end of the government's term approaches, the pressure to accept communal ownership rather than no ownership at all has intensified.

24. During 1965-69, CORA settled about 19,500 families on 821 *asentamientos*, as shown in the tabulation below. By the end of Frei's term in November 1970, this figure probably will rise to 25,000 to 28,000 families -- a substantial number, but only about one-fourth of the original goal. Most of the people settled were landless workers and sharecroppers resident on the land when expropriated, and the remainder were largely landless workers from the surrounding area or Indian families from reservations. Thus far, few if any *minifundistas* have received land.

	Number of Communal Settlements (<i>Asentamientos</i>) Established	Number of Families Settled	Number of Land Titles Issued
<i>Total, 1959-64</i>	0	1,159	1,159
1965	33	2,061	0
1966	62	2,109	0
1967	151	4,218	0
1968	200	5,500	0
1969	375	5,612 <i>a/</i>	1,700 <i>b/</i>
<i>Total, 1965-69</i>	821	19,500 <i>a/</i>	1,700 <i>b/</i>

a. Provisional figure.

b. Permanent communal rights only.

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25. About 1,700 families received land titles of a sort during 1969, all of them on a communal basis. The titles do not transfer ownership of a particular piece of land (aside from a small housing site) but merely evidence part ownership of the communal farm. Moreover, the family may stay on the land only so long as it remains in good standing with the commune and with CORA, and it cannot independently sell, lease, or bequeath its communal rights. CORA's refusal to issue individual titles has been a major cause of dissension on many *asentamientos* and has become an important political issue in some areas. Although this decision can be contested in the Agrarian Reform Courts, CORA's powerful position in the land reform discourages litigation by settlers. Large landowners and others opposed to the reform, however, have capitalized on the titles issued by asserting that CORA is nothing but a new *patron*, and one with less compassion than the old one. In support of its policy, CORA has pointed to what it claims to be the potentially greater efficiency of communal farms compared with individual plots.

26. Financial and administrative problems are largely responsible for holding down the pace of land reform. Costs have been rising rapidly and have far exceeded original estimates. By 1968, direct expenditures on land reform equaled an estimated 6% of the central government's expenditures and about one-fifth of the investment outlays (including loans and advances, some of which will be repaid). CORA's spending alone has averaged more than \$10,000 per family settled. Administrative and technical costs have been high: CORA has between 2,100 and 2,400 employees, or about three for every five families settled per year. Technical assistance costs and credit extensions to the *asentamientos* considerably exceed construction expenditures and cash outlays for land acquisition, as shown in the tabulation below. On many of the *asentamientos*, wage advances and crop loans alone have greatly exceeded output value, and large financial losses have occurred.

27. The government also supports the *asentamientos* in other, less direct ways. The Agricultural Marketing Agency (ECA) gives the *asentamientos* disguised subsidies by purchasing a large part of their output at prices considerably higher than those paid other farmers. Mainly because of these subsidies, ECA

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	Million 1968 US \$					
	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969 Plan</u>	<u>1970 Plan</u>
Technical assistance and credit	5	12	21	41	N.A.	N.A.
Construction	2	4	6	7	N.A.	N.A.
Land acquisition (down-payments only)	1	2	4	7	N.A.	N.A.
Other	4	5	7	7	N.A.	N.A.
Total	12	23	38	62	72	109
Less: Repaid credits	1	3	6	11	22 <u>a/</u>	24 <u>a/</u>
Net expenditures	11	20	32	51	50	85

a. *Estimated.*

registered annual losses of about \$8 million in 1968-69 compared with surpluses of \$12-\$15 million in 1964-65. The National Agriculture and Livestock Service (Chile's extension service) was ordered in early 1969 to work largely on the *asentamientos* to help counteract their rising financial difficulties. The National Housing Corporation has shared in the cost of housing provided by CORA on the *asentamientos*. Also, the State Bank has given the *asentamientos* additional credit, and other government agencies have provided technical and financial assistance. Inclusion of all these expenditures would considerably raise land redistribution costs per family, perhaps to as much as \$20,000 -- twice the figure for CORA spending alone.

Rural Organization

28. In addition to land redistribution, the PDC's agrarian reform program has concentrated on organizing the rural lower classes for social, economic, and political purposes. The Agricultural Livestock Development Institute (INDAP) has been charged with establishing rural labor unions, co-operatives of small farmers, and community associations. Jacques Chonchol, an agricultural specialist and onetime UN employee detailed to Castro's agrarian reform agency, headed INDAP until he left the PDC in 1969 to form a rival party now in coalition with the Communists, Socialists, and leftist Radicals. Under Chonchol, INDAP expanded to more than 3,100 employees, many of whom were involved

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exclusively in political activities. Whereas Chonchol aggressively promoted peasant organization as a revolutionary force, his successor Roberto Infante has stressed productive efficiency. During this pre-election period, however, INDAP probably will not materially alter its image as a dispenser of "more ideology than technology."

29. One of INDAP's more successful programs has been unionization of farm workers. Although rural labor federations were illegal until 1967, the PDC and rural parties began promoting them as early as 1960. Of the 150,000-175,000 workers employed on private estates in 1969, almost 100,000 were union members. About half the workers belong to labor federations sponsored by INDAP, and most others belong to federations formed by other Christian Democratic groups and by the Socialist and Communist parties. Collective bargaining, together with landowners' fears of expropriation for failure to provide adequate workers' benefits, has played an important role in increasing real rural wages since 1964. Although accelerated inflation during 1968-69 reduced gains in minimum wage scales, the real wages of most rural workers clearly have risen under Frei.

30. INDAP also has been organizing and aiding Chile's numerous small farmers. By the end of 1969, it had helped to establish some 230 cooperatives with 36,000 members and to organize 130,000 small farmers into associations. These organizations already are benefiting their members somewhat and should be able to improve their living standards further through joint marketing, production, and investment projects. Some farmers, however, are dissatisfied with INDAP's technical assistance. Presidents of small farmer committees in Linares, Curico, and Nuble Provinces have complained, for example, that their members often know more about farming than the young INDAP specialists.* INDAP's financial assistance to Chile's 240,000 small farmers contrasts sharply with CORA's large outlays

* One leader of a small farmer federation bitterly complained that the INDAP staff in Linares consisted of "80 promotores (social promoters), two veterinarians, and one agronomist." Farmers in south-central Chile tell a joke about a lion that thrived all winter by eating an INDAP official each morning -- none of whom were ever missed.

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on the *asentamientos*. During 1965-69, INDAP's lending amounted to only \$6-\$9 million annually. Except for a few showcase projects such as the Marchique Poultry Cooperative in Colchagua, individual loans have been very small. Crop loans to 45,000 farmers in 1968 were made mostly in kind and averaged only \$100 each. Moreover, some small farmers complain that these loans of fertilizer, seed, and other inputs often were delivered too late to be utilized effectively.

Some Effects of the Program

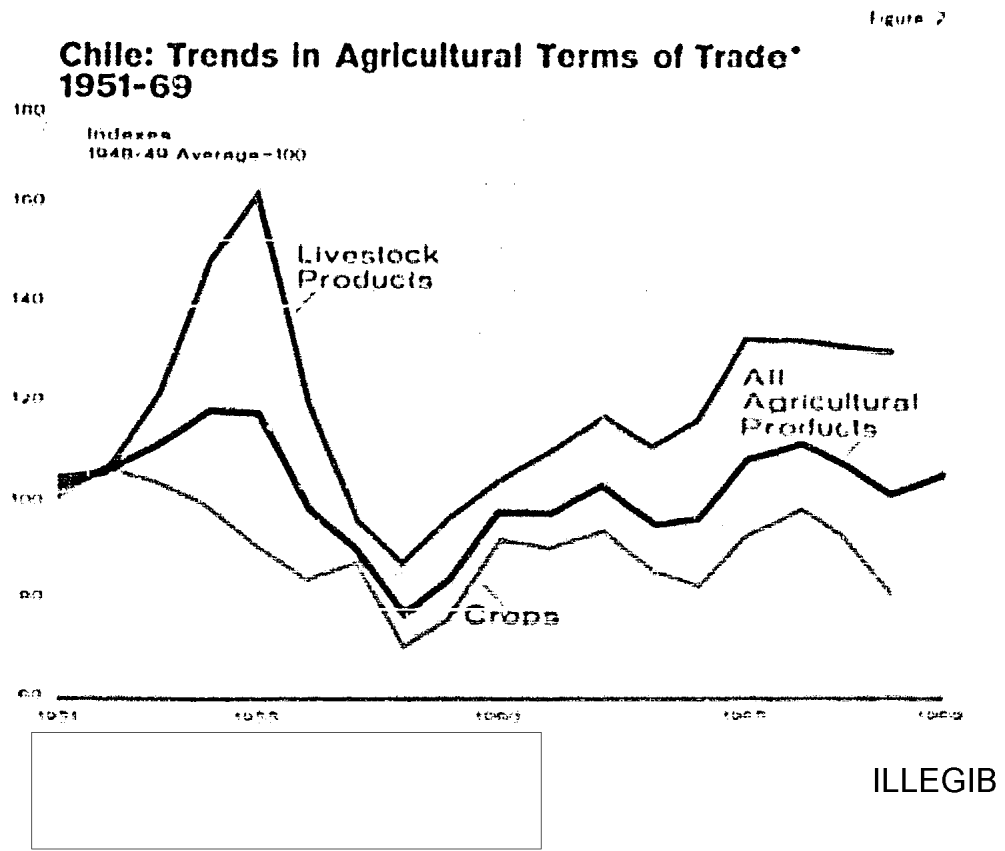
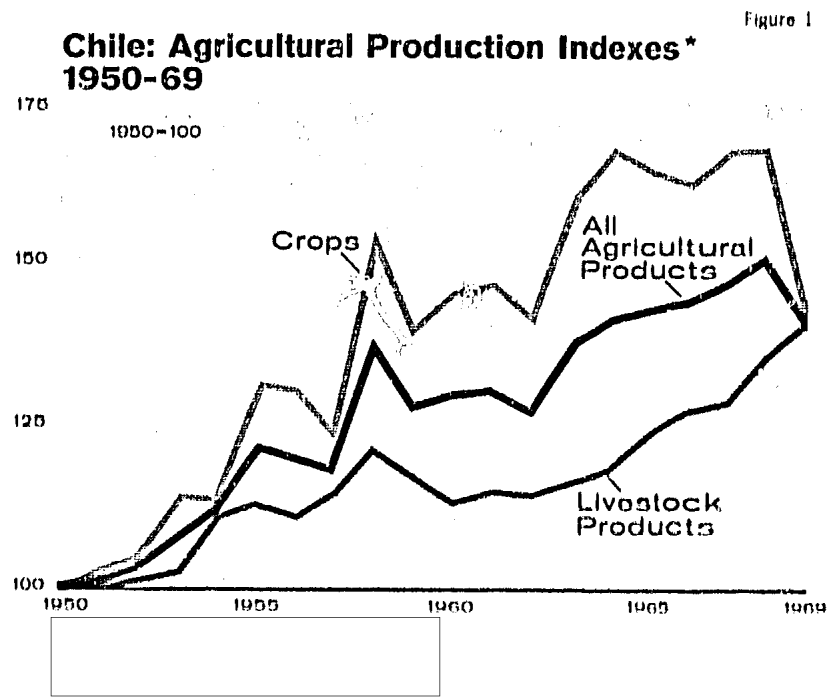
Production Impact

31. Agrarian reform appears to have hampered agricultural growth, as was to be expected despite Frei's hopes, but it has not brought a sharp decline in output. Its impact cannot be accurately measured because other factors, such as weather, also play an important role. Agricultural output rose by only 7% from 1964 to 1968, an average of 1½% annually compared with a 2½% average during the preceding four years (see Figure 1). In 1969, total agricultural output dropped by 8% and crop production by 16% -- largely because of a severe drought, although agrarian reform disruptions probably had some effect. The gap between output and demand has widened considerably under Frei. Net agricultural imports increased from \$125 million in 1964 to about \$180 million in 1968 and may have approached \$250 million in 1969.

32. All of the increased output in 1965-68 derived from the livestock sector; crop output dipped in 1965-66 and merely returned to its 1964 level in 1967-68. The major cattle-raising areas are in southern Chile and have been little affected by land redistribution until the last year or so. Moreover, livestock producers have benefited from sharply improved terms of trade (see Figure 2). In recent years, livestock prices have been at their highest level since the early 1950s, when they had been freed from controls for a brief time. Relative livestock prices jumped 15% in 1965 and subsequently have declined only slightly. The Frei government only temporarily improved crop prices, however, mainly because it felt compelled to tighten food price controls as the pace of inflation quickened. Relative crop prices were raised by 21% in 1965-66 but by 1968 had fallen back to their low 1964 level.

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Crop prices probably accounted for little if any of the minor improvement in agriculture's terms of trade last year.

33. Despite the Frei administration's oft-avowed aim to increase agricultural efficiency, the PDC program is primarily a social reform with a high ideological content. Had economic considerations been paramount, the Frei government clearly would have adopted less costly and more expeditious ways of strengthening production and investment incentives, utilizing land more effectively, and improving farm technology. A relatively small share of the government's large expenditures on agrarian reform has gone into irrigation and other long-term physical improvements. Moreover, because of the failure to provide safeguards for efficient producers and to maintain favorable crop prices, the impact on private agricultural investment has been greater than it needed to be. Thus the full economic costs of agrarian reform will be felt in the years ahead. It remains to be seen if the administration's investment in human resource development will pay off sufficiently to offset these costs and if the communal form of land ownership it has fostered thus far is even workable within the Chilean context.

Polarization in the Countryside

34. The Christian Democratic government's successful drive to organize and politicize the rural poor has stimulated counteraction by both the rural elite and the radical left. Farm employers of all sizes have formed the Chilean Federation of Agricultural Employers, ostensibly to bargain regionally with rural unions. Actually, the Federation and such traditional farm organizations as the National Agricultural Society and the Confederation of Southern Agricultural Societies have been trying to organize more effective opposition to the PDC's reform. These forces have played down their antipathy to agrarian reform but have adopted increasingly forceful methods in blocking "arbitrary" expropriations by COPA and leftist-led peasant groups. In 1962, they also blockaded the Pan-American highway to protest government wheat prices and staged a violent confrontation with government officials at an agricultural fair. To gain support among the lower classes, these groups have attacked the government's price policies, the prohibition on

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private land transfers, CORA's shortcomings despite its "excess of power," and the socialistic nature of the land reform.

35. Meanwhile, radical Christian Democrats, Socialists, Communists, and other leftist groups have attempted to wrest leadership of the "revolution in the countryside" from the government. Although they all advocate accelerated land redistribution, only the Socialists and revolutionary groups have led armed peasant takeovers of farms. Leftist-led strikes have contributed to growing violence in the countryside.

*Political Benefits and Costs
to the Christian Democrats*

36. Agrarian reform apparently has not won the PDC a firm political base in the countryside. Vote surveys indicate that since 1964 the PDC has lost considerable ground in rural areas, as in the country generally. The combined vote in three groups of rural communes approximated the national average of 56% for Frei in 1964, 44% for the PDC in the 1965 congressional election, and 31% for the PDC in the 1969 congressional election.* The National Party (formed by the Conservatives and Liberals in 1966) increased its share of these communes' vote from 20% in 1965 to 25% in 1969 -- each at least five points above the party's national average. The FRAP-Marxist coalition also gained in these communes between the 1965 and 1969 elections, but its portion of the rural vote has run consistently behind its national total, which is boosted by returns from its strongholds in the northern mining districts and the Arauco and Concepcion areas. The Radical Party has also increased its rural vote and has run stronger in the countryside than in the nation as a whole except in those communes where land redistribution has been most intense. The trend toward

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left-right polarization clearly has been strongest in areas most affected by land reform.

37. In agrarian reform, as in other programs, the Christian Democrats have suffered politically because progress has been slowed by opposition forces and radical change has produced losers as well as winners. Many Chileans are disillusioned with the Christian Democrats' accomplishments, partly because they expected so much after the 1964 election. Frei's inability to control his party and the administration's inexperience in governing have contributed to the disgruntlement of losers and the disappointment of winners' expectations. In an atmosphere of escalating rural tensions, the recent killing of a CORA official probably will harden attitudes for and against the government as "law and order" becomes an increasingly important national issue.

38. The PDC clearly has lost much of the support it received in 1964 from owners of large and medium-sized land holdings. A sense of betrayal has replaced earlier hopes that land redistribution would not seriously hurt efficient producers and might, in fact, be offset by more favorable agricultural policies generally. Their feeling now is that the party, CORA, and INDAP have made agrarian reform a weapon in an ideological vendetta. Disaffected landowners probably do not constitute more than 10% of the rural electorate, but they bulk much larger in the voting and influence larger groups. Unlike the situation in 1964, the urban upper classes now appear to be making common cause with the rural elite. Both may try to use their influence in the public media to convince urban dwellers that reform has not brought more food at lower prices as was promised. Landowners' associations also already have been trying to gain the support of small farmers and rural laborers.

39. The PDC has, however, won friends among the peasants settled on *asentamientos*. This group might approximate 10% of the rural electorate by election time, and peasants hopeful of obtaining land under the PDC's program perhaps make up another 15%. Some of the latter, of course, may believe the Marxist coalition would redistribute land much faster. Even the loyalty of peasants already resettled may be eroded by leftists' promises of even greater benefits or rightists' promises of private land titles.

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40. The agrarian reform's impact on other rural groups is very difficult to estimate. Under the Frei government, many rural residents acquired a sense of dignity and power for the first time. Organized into labor unions, cooperatives, associations, and community development committees, peasants and rural workers have become a force for political and economic change. Moreover, federal and community services have been greatly expanded in many areas and welfare benefits substantially increased. Wage levels also have risen significantly for most rural workers, although the increase in real wages even for unionized labor almost certainly has slowed recently as inflation speeded up.

41. For these groups, however, the gap between expectations and gains has been wide. Many are seriously disappointed that they have not received land and indeed some of them now find themselves employed on the *asentamientos* by people previously their social inferiors. They also are angered that the government's agricultural expenditures have been concentrated on the *asentamientos* while they have received little financial aid. The PDC's political strength among these groups will turn largely on whether they compare their present lot with what it was before 1965 or with that of peasants who have gained far more.

42. The *minifundistas* may represent a special case of backlash. Economically, they are possibly worse off now than they were in 1964; their position relative to almost all other rural groups assuredly has eroded. Their chances to expand their property holdings to a viable family size have not improved. In fact, CORA has used the law against parcelization to block their attempts to purchase land from private owners. Although many of these people supplement their income through outside employment, their wage increases probably have not equaled those received by full-time unionized workers.

Agrarian Reform as an Election Issue

43. Agrarian reform will be an important issue in this year's Presidential election at least among rural residents, who make up about one-fourth of the electorate. To one degree or another, the PDC's program has affected nearly everyone in the countryside. For the heavy losers and winners, the choice

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among the candidates probably is a fairly simple one and already has been made. Others may be swayed by the candidates' positions and personalities and perhaps by campaign promises yet to come.

44. Already assured of the landowner vote, Jorge Alessandri -- the 73-year-old ex-President who is running as an independent -- is trying to attract the poorer rural classes by promising "reform with tranquility." He probably will say little about the pace of land redistribution, but his support for private ownership of holdings will be well received by many voters. Alessandri is expected to advocate programs of general rural appeal, including increased public investment in infrastructure, higher agricultural prices, and improved credit and marketing facilities. He may also propose reclamation of large tracts for distribution to the rural poor. Nevertheless, in the countryside as in the cities, Alessandri's broadest appeal rests not on his specific positions but on the popular conviction that he -- as an apolitical and stern father figure -- can bring progress without turmoil.

45. Radomiro Tomic, having failed repeatedly to form a grand alliance of leftist forces, is running under the PDC banner. Left of Frei in political orientation, Tomic advocates a "communitarian" system -- a concept perhaps vague even to him but clearly stressing a non-capitalist road to development. On agrarian matters, Tomic probably will campaign on the PDC's record and a promise to speed up the "revolution in the countryside." Although his personal preference is for some form of socialized agriculture, he and the PDC will appeal to many voters as an alternative to the conservatives and the Marxists.

46. The Marxist coalition (formerly FRAP) has been expanded to include the Communists, Socialists, leftist Radicals, Social Democrats, and Chonchol's group of ex-PDC radicals and now calls itself the Popular Unity Movement (MUP). This coalition, which is again supporting Salvador Allende, will try to improve upon his 40% share of the 1964 vote by capitalizing on the disappointment of those who gained less than expected from the PDC's more gradual approach to agrarian reform. The Marxists have been well established in the countryside far longer than the PDC and, for many peasants, do not present

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a fearful image. In 1970, however, Allende will be trying to strengthen his credentials as true leader of the "revolution in the countryside" without increasing the defection to Alessandri of those who find turmoil too high a price to pay for change.

Conclusions

47. The Frei administration's agrarian reform has effected revolutionary changes, although it has fallen far short of its goals. During its first five years, the government succeeded in settling almost 20,000 landless rural families, mainly on property expropriated from private landowners, and by the end of its term in late 1970, it will have accomplished somewhat better than one-fourth of its original goal of settling 100,000 families. It also has awakened the rural masses to their political-economic potential. The economic lot of many rural poor has improved and the *campesino* has become a participant in national life, but the gap between expectations and gains during six years of Christian Democratic rule is very wide.

48. The thrust of Frei's agrarian reform has been social revolution, for which the government has been willing to absorb an economic cost. This cost probably is exceeding what Frei and his economic team originally had in mind, however. Frei had intended to preserve private producer and investor incentives by clearly establishing expropriation guidelines and by adopting more favorable agricultural policies. Landowners feel, however, that the two main agrarian reform agencies, CORA and INDAP, have carried out the program as much in a spirit of vengeance as reform. Despite presidential reassurances that efficient producers have nothing to fear from reform, CORA in the last two years increasingly has been expropriating well-managed farms -- partly to offset its own mounting financial problems. It almost certainly will continue to do so in the months ahead, and landowners can be expected to adopt increasingly forceful methods to block takeovers.

49. The Frei administration's policies appear to have slowed an already unsatisfactory rate of agricultural growth but have not brought a sharp

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decline in output. The deep-seated problems affecting Chilean agriculture during the past three decades probably have been at least temporarily exacerbated rather than eased, as had been hoped. At least in the last year or two, political uncertainty has further strengthened existing disincentives to agricultural investment. Thus the full economic effects of agrarian reform will not be felt for some years.

50. The financial costs of the program have been much higher than anticipated and are the major cause of the relatively slow resettlement pace. CORA's expenditures alone (including loans) have averaged more than \$10,000 per family settled, largely because of the large credits and technical assistance provided, and total resettlement costs may be as much as twice this amount. Land acquisition costs amount to only about 10% of CORA's total expenditures because property valuations are low and compensation is effected mainly through 25- to 30-year bonds. Although it has not been able to settle all the land taken, CORA probably will further speed up expropriation in 1970 for political reasons.

51. No peasant families have actually become independent landowners under the program. The 1967 agrarian reform law provided for a transitional training period of about three years during which the beneficiaries would farm the land as a cooperative under CORA's tutelage. Although it originally was thought that most land titles issued at the end of this period would be on an individual basis, thus far the government has refused to issue any but communal titles.

52. Those selected for land "ownership" -- mainly persons living on the land before expropriation -- clearly have gained the most under the program. A much larger group has benefited from increased real wages under Frei, mainly because of government-fostered unionization. Small farmers, who constitute about one-third of the rural population, have gained little, however -- many are relatively worse off now than in 1964.

53. Rural voters in the September 1970 election will make their choice largely on the basis of how they have fared under the agrarian reform, which has affected nearly everyone in the countryside.

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Unlike the 1964 election, the losers in the struggle for change will have a conservative alternative this time in ex-President Alessandri. The winners will not necessarily back the Christian Democratic Party. Some will opt for the more radical change offered by the Marxist coalition; others will prefer Alessandri's "reform with tranquility" to the social turmoil of the last six years. Agrarian reform will not be a major issue in the cities, but the urban vote will be strongly affected by the Christian Democrats' failure to control inflation -- partly a product of inadequate agricultural output -- and by rural violence that may grow during the campaign period.

54. Regardless of who wins in September, agrarian reform will continue, although its style and pace will be affected by the new administration's political complexion. The "revolution in the countryside" has gone too far to be turned back even in the unlikely event that new government leaders wanted to.

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Table 1

Chile: Use of Arable Land

	Percent	
	<u>1955</u>	<u>1965</u>
Annual crops	23.5	28.6
Improved pasture and forage crops	8.8	19.1
Orchards and vineyards	3.2	3.6
Fallow and unimproved pasture	64.5	48.7
<i>Total</i>	<i>100.0</i>	<i>100.0</i>

Table 2

Chile: Land Distribution, by Farm Size

Farm Size (Acres)	Number of Farms		Percent of Total Arable Land	
	<u>1955</u>	<u>1965</u>	<u>1955</u>	<u>1965 (Estimated)</u>
Less than 25	75,627	156,708	2.8	6.0
25-124	41,420	59,336	10.3	13.0
125-494	20,820	23,959	18.4	16.9
495-2,470	9,842	10,158	31.3	29.2
2,471-12,355	2,554	2,601	24.9	23.2
More than 12,356	696	730	12.3	11.7
<i>Total</i>	<i>150,959</i>	<i>253,492</i>	<i>100.0</i>	<i>100.0</i>

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Tablo 3

Chilo: Rural Labor Force
by Social Class and Occupation

	Percent	
	<u>1955</u>	<u>1965</u>
Upper class	<u>10.3</u>	<u>9.9</u>
Landowners and families on large and medium-size holdings	8.9	8.3
Administrators and technicians	1.4	1.6
Middle class	<u>27.1</u>	<u>25.1</u>
Family farm owners and families	21.1	18.6
Skilled workmen, foremen, and guards	6.0	6.5
Lower class	<u>62.6</u>	<u>64.9</u>
Small landowners and sharecroppers	23.2	32.6
Resident workers	12.4	10.0
Landless farm laborers	27.0	22.3
<i>Total</i>	<i>100.0</i>	<i>100.0</i>

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